



Policy on disclosure of interests and management of conflict of interests applicable to Directors and Prescribed Officers

V03

Purpose

The policy sets out the requirements for directors and prescribed officers to disclose conflicts of interest and the process around management of conflicts of interests

Adherence

Directors and prescribed officers within the Capitec group

CAPITEC BANK HOLDINGS LIMITED

Approved by: Risk and Capital Management Committee

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1. Executive summary

- 1.1 Conflict of interest policies guide directors to not breach the various duties of care imposed on them by virtue of their position. These duties include e.g. the duty not to use your position as director or any information obtained while acting as a director to gain an advantage, not to knowingly cause harm to the company or its subsidiaries; to communicate any material information to the board as soon as it comes to your attention and to act bona fide, in the best interests of the company.
- 1.2 A director must disclose personal financial interests, material information and pertinent observations:
- when a matter in which they have a personal financial interest is being considered at a meeting of the board
 - when a matter in which they know that a related person has a personal financial interest is being considered at a meeting of the board
 - any personal financial interest acquired by a director in an agreement or matter, in which a company has a material interest after the agreement or matter has been approved by the company
 - when they become aware that a related person has acquired a personal financial interest in the matter in which a company has a material interest after the agreement or matter has been approved by the company
- 1.3 A director must recuse him/self from a meeting of the board where a decision will be made regarding a matter where that director or a related person has a personal financial interest and not participate in any decision relating to that matter.
- 1.4 It is acknowledged that non-executive directors may from time to time hold passive, non-controlling shareholdings in listed or private companies, which may, without their knowledge, seek to engage in commercial transactions with the Group. In such cases, the director will be required to disclose such interests upon becoming aware thereof.
- 1.5 Upon such disclosure, the director shall recuse themselves from any deliberations or decisions pertaining to the relevant entity. The Company Secretary will document such recusals to ensure transparency and compliance with regulatory requirements and best corporate governance practices.
- 1.6 Further to disclosing financial interests, a director must not knowingly allow the company to approve the provision of financial assistance to a director, inter-related company or a related person without having the necessary shareholder approval in place; and the board satisfying itself that the company will be solvent and liquid immediately after giving the financial assistance and that the terms on which financial assistance is given, is fair and reasonable to the company.
- 1.7 It is noted that shareholder approval is not required where Capitec Bank grants credit in the ordinary course of business to directors (and prescribed officers), subject to same being granted in the ordinary course of business on the same basis as that credit would be granted to non-related clients. In this regard, the governance rules regarding the application for and granting of credit in related party transactions will apply as set out in paragraph 7.
- 1.8 Highlighted terms have specific meanings as set out below.

2. Introduction

- 2.1 This policy is applicable to the directors and prescribed officers of Capitec Bank Holdings Limited (“**Capitec Holdings**”) and its subsidiaries (“**Capitec**” or “**Capitec group**”).
- 2.2 Capitec is committed to ethical conduct and as such the identification and management of conflicts of interest where it cannot be prevented, is fundamental to its business conduct. This policy sets out mechanisms to facilitate the identification of conflicts of interest and to mitigate and manage same in accordance with good governance practice.
- 2.3 Capitec operates within a regulated framework and is subject to the provisions of amongst others, the Companies Act, 71 of 2008 (“**Companies Act**”), the Financial Sector Regulation Act, 9 of 2017, the Banks Act, 94 of 1990, the Financial Intelligence Centre Act, Act 38 of 2001 (“**FICA**”), the Insurance Act, 18 of 2017 (as applicable), the JSE Listings Requirements (and in the case of Capitec Bank, the JSE Debt Listings Requirements) and Memoranda of Incorporation (as applicable to each company in the Capitec group). Capitec subscribes to accepted best governance practices and as such applies the King Code principles.
- 2.4 The Capitec board charters stipulate that directors must ensure that no conflict of interest arise and set out the procedure for directors to follow to prevent same.
- Directors are required to pro-actively disclose interests which may potentially result in a conflict of interest
 - Directors are invited to declare potential conflicts of interest at board meetings as required in terms of section 75, read with section 76 of the Companies Act
 - a declaration of directors’ and group executive officers’ interests is tabled regularly at Board and Group Executive Committee meetings for confirmation that the declarations are up to date and correct

3. Principles

Directors and prescribed officers must prevent circumstances that could result in a conflict of interest. The following principles serve as proactive mechanisms to prevent conflicts of interest or in managing them as they arise:

3.1 Disclosure of interests

- 3.1.1 Directors must disclose interests upon appointment and at every Board meeting when applicable, whilst prescribed officers must disclose at group executive committee meetings, or inform the Group Company Secretary, of any direct or indirect interests in (including shareholding, ultimate beneficial ownership, membership and directorship as applicable):
- 3.1.1.1 another company, partnership, association, syndicate, trust or legal entity which is doing or intends doing business with a company in the Capitec group.

- 3.1.1.2 a contract or proposed contract which is entered into or to be entered into with a company in the Capitec group.
- 3.1.1.3 May not, while employed at Capitec or serving on a Capitec Board, perform or engage in any work outside Capitec which is in conflict or competes with Capitec's business or interests, or which negatively impact on the individual's contractual obligation to render service to the relevant Capitec company.
- 3.1.1.4 Where a contractual relationship poses a conflict of interest that cannot be managed, it will not be allowed.
- 3.1.2 Directors and prescribed officers of Capitec are obligated by the Companies Act, to disclose known direct or indirect material personal financial interests (including that of a related person) in any contract or proposed contract, which was or is to be entered into by any company in the Capitec group. Such contract in which any one of them becomes interested in after the contract was entered into by the company, must also be disclosed. Finally, the disclosure must specify the nature and extent of that interest and the material circumstances relating to the director/ prescribed officer's/related person's acquisition of that interest.
- 3.1.3 It is acknowledged that non-executive directors may from time to time hold passive, non-controlling shareholdings in listed or private companies, which may, without their knowledge, seek to engage in commercial transactions with the Group. In such cases, the director will be required to disclose such interests upon becoming aware thereof.
- 3.1.4 Directors are required to declare, subject to legal provisions, at the commencement of board meetings, if they have any conflict of interest in respect of a matter on the agenda for the meeting. Any such conflicts must be proactively managed in accordance with the directions of the board.
- 3.1.5 In terms of section 75 of the Companies Act, a director who has a personal financial interest in respect of a matter to be considered at a meeting of the board, or knows that a related person has a personal financial interest in the matter:
- 3.1.5.1 Must disclose the interest and its general nature before the matter is considered at the meeting.
- 3.1.5.2 Must disclose to the meeting any material information relating to the matter and known to the director.
- 3.1.5.3 May disclose any observations or pertinent insights relating to the matter if requested to do so by the other directors.
- 3.1.5.4 If present at the meeting, must leave the meeting immediately after making any disclosure contemplated in paragraphs 3.1.5.2 and 3.1.5.3.
- 3.1.5.5 Must not take part in the consideration of the matter, except to the extent contemplated in paragraphs 3.1.5.2 and 3.1.5.3.
- 3.1.5.6 While absent from the meeting in terms of the provisions above:
- the director will be regarded as being present at the meeting for the purpose of determining whether sufficient directors are present to constitute the meeting
 - the director is not to be regarded as being present at the meeting for the purpose of determining whether a resolution has sufficient support to be adopted
- 3.1.5.7 Must not execute any document on behalf of the company in relation to the matter

unless specifically requested or directed to do so by the board.

- 3.1.5.8 If a director of a company acquires a personal financial interest in an agreement or other matter in which the company has a material interest or knows that a related person has acquired a personal financial interest in the matter, after the agreement or other matter has been approved by the company, the director must promptly disclose to the board the nature and extent of that interest, and the material circumstances relating to the director or related person's acquisition of that interest.
- 3.1.6 In addition, directors and prescribed officers must disclose direct and indirect interests in any securities issued by Capitec Holdings or a company in the Capitec group and such disclosure shall be recorded in the declaration of interest document that is circulated at each board/group executive committee meeting.
- 3.1.7 Full disclosure of interests referred to in this paragraph 3 must be made upon appointment and thereafter in writing via email to the Group Company Secretary or such disclosure must be made upfront at the beginning of the relevant board meeting and recorded in the minutes of that meeting.
- 3.1.8 A written record must be retained of such interests and the director and prescribed officer, as applicable, is thereafter responsible for disclosing any change in the nature of the interest in writing.
- 3.1.9 Disclosed interests will be deemed to remain in existence until the disclosing party indicates otherwise in writing.
- 3.1.10 The record of all declarations of interest shall be maintained by the Group Company Secretary. The Group Company Secretary may verify, at least annually through such mechanisms reasonably available in Capitec:
- Companies and closed corporations of which directors and prescribed officers are directors/members (as applicable)
 - related party transactions in relation to Capitec

3.2 **Conflicts of interest:**

- 3.2.1 Notwithstanding the above, no director will offer a service, product or co-operation agreement to a company in the Capitec group on behalf of any organisation in which he or she has a direct or indirect interest ("a related organisation"), in a meeting of the board of any company in the Capitec group, or any board committees.
- 3.2.1.1 Such service, product or agreement may be separately offered to management of such company, preferably not by the director involved, but by the management of the related organisation, subject to the relevant disclosures of interest by the director in question.
- 3.2.1.2 Should management submit a decision on a relationship for the purchase of a service or product or another agreement with a related organisation to the board for approval, then, during the discussion of and voting on such a relationship, the director(s) involved with the related organisation will recuse themselves from the meeting of the company. Any significant relationship with a related party will be referred to the board by management.

- 3.2.2 Directors and prescribed officers must declare any gifts, monies, commissions, benefits or other favours extended to, or received from any party in respect of, or in relation to any business dealings with Capitec.
- 3.2.3 If a conflict of interest involves the chairman of the board, the lead independent non-executive director must assume the role of chairman whilst such conflict persists.

4. Reporting of conflict of interest

Any contract in which a director or prescribed officer of Capitec is involved must be referred to the Group Company Secretary to establish that (i) a declaration disclosing the director/prescribed officer's interest has been filed and (ii) the contract does not involve a conflict of interest or that such conflict of interest has been appropriately managed.

5. Register of conflicts of interest

A current register of any conflicts of interest and/or personal financial interests of directors is available on Capitec's website and is updated if required when Capitec Bank publishes its annual financial statements.

6. Conflicts of interest and financial assistance

- 6.1 Matters involving a conflict of interest as described above may in some instances involve directly or indirectly providing financial assistance to a director or prescribed officer of the company or of a related or interrelated company, or to a related or interrelated company or corporation, or to a member of a related or interrelated corporation, or to a person related to any such company, corporation, director, prescribed officer or member.
- 6.2 Section 45(3) of the Companies Act determines that "despite any provision of a company's Memorandum of Incorporation to the contrary, the board may not authorise any financial assistance unless:
- 6.2.1 The particular provision of financial assistance is:
- pursuant to an employee share scheme that satisfies the requirements of section 97
- 6.2.2 pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category
The board is satisfied that:
- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test
 - the terms under which the financial assistance is proposed to be given are fair and reasonable to the company

- 6.3 The requirements set out in section 45(3) will not apply where Capitec lends money in the ordinary course of business. Any exceptions to existing products, and/or normal granting policies and procedures would give rise to the requirements of section 45(3). Therefore, should credit not be granted to directors or prescribed officers in the ordinary course of business the requirements of section 45(3) would need to be adhered to if the matter involves the providing of financial assistance in addition to disclosing conflict of interest.

7. Related party transaction policy applicable to directors, prescribed officers and divisional executives of companies in the Capitec Group

- 7.1 Related party transactions refer to any financial or non-financial transactions that occur between a company and its related parties, including but not limited to subsidiaries, affiliates, directors, management personnel, and related persons.

7.2 Definition of a Related Party

A related party includes:

- Top and senior management of the Capitec group (E/F levels) and their immediate family (spouses, children, siblings, parents, grandparents or grandchildren).
- Entities where the related party holds a beneficial interest.
- Non-executive directors adhere to the same definition.

7.3 Governance and Disclosure

- Capitec has policies to ensure fair, unbiased credit decisions.
- The related party must disclose any relevant interests when applying for business credit or asset financing.
- In line with section 78 of the Banks Act, 94 of 1990, Capitec Bank shall not lend against securities issued by Capitec Bank Holdings Limited.

7.4 Credit Granting Framework

- No preferential pricing or rate adjustments will be applied to related party deals prior to undergoing the standard credit process. Employment benefit considerations, per the relevant credit granting policy, will determine final pricing and fees.
- The standard process for scored or model-based decisions will apply unless the exposure size exceeds the Head of Credit's mandate. Any exposure approved by a scored decision but exceeding R10m requires further approval by the Group CRO, Group CFO and Head of Credit.
- All judgemental decisions for related parties requires approval by the Head of Credit. Exposures and above R10m will require further approval by Group CRO and Group CFO.
- Deals exceeding R100m require sign-off from the RCMC Chairperson (who must attend the relevant credit committee meeting), Head of Credit, Group CFO and Group CRO.
- In the event that one or more of the defined mandate approvers is the related party, the application will require RCMC Chairperson or Board Chair approval in addition

to the remaining mandate approvers.

7.5 **Reporting and Oversight**

- Related party transactions that meet the large exposures definition must be reported to the RCMC biannually for monitoring and oversight purposes.
- The Board and RCMC's role is to monitor adherence to Capitec's credit policies and risk appetite.